

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2019-____-E

IN RE:

Application of Duke Energy Carolinas,
LLC for Approval of the Transfer of
Property in Connection with a Lease
Financing Arrangement

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APPLICATION FOR
APPROVAL OF TRANSFER OF
PROPERTY

Duke Energy Carolinas, LLC (“DEC” or the “Company”) hereby applies to the Public Service Commission of South Carolina (the “Commission”) for approval of the transfer of a parcel of real estate located in Charlotte, North Carolina (the “Property”) as part of a leaseback financing arrangement by which the Company will finance the development and construction of an office building. Through its Order No. 2019-434, Docket No. 2018-218-E (June 12, 2019), the Commission has already authorized the Company to undertake the leaseback financing arrangements at issue discussed in this Application; however, out of an abundance of caution the Company is filing this Application because the arrangement technically involves the sale and transfer of utility property as part of the leaseback financing arrangement. Accordingly, DEC seeks additional Commission authorization for the transaction pursuant to S.C. Code Ann. § 58-27-1300, S.C. Code Ann. Regs. 103-830, and other applicable rules and regulations of the Commission. The Company has recently reached a point where investors have been identified and the parties seek to close the financing upon favorable terms, and now the Company respectfully requests a decision by December 18, 2019 in support of this Application to obtain

financing that will benefit the Company and its customers. Due to low interest rates and the coordination of investment, the parties are aligned for consummation of the Property transfer on December 20, 2019. In this transaction, DEC will sell land to a financial counterparty at the purchase price and then simultaneously lease it back as part of financing the development and construction of the office building, consistent with the Commission's prior order approving the financing arrangement. The Company is not seeking approval of cost recovery in this Application; it is instead seeking Commission authorization to transfer the Property consistent with S.C. Code Ann. § 58-27-1300. In support of this Application, DEC would show the following:

1. The name and address of the Applicant is

Duke Energy Carolinas, LLC
550 South Tryon Street
Charlotte, North Carolina 28202

2. The name and address of the Applicant's attorneys are:

Heather Shirley Smith, Deputy General Counsel
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and

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3. Copies of all pleadings, orders or correspondence in this proceeding should be served upon the attorneys listed above.

4. DEC is a public utility engaged in the generation, transmission, distribution, and sale of electric energy in South Carolina and is subject to the jurisdiction of this Commission.

5. The Property is located in the DEC service territory in North Carolina and has been accounted for as utility property.

6. The Property was acquired by DEC in 2017 for the purpose of developing a corporate headquarters office building and to support the consolidation of the Company's previous workspaces.

7. On May 31, 2019, the Company requested authorization from the Commission in Docket No. 2018-218-E to amend its financing authority to more clearly permit sale/leaseback financing in order to fund the construction of leased property, including the construction of the Company's new office building. The S.C. Office of Regulatory Staff ("ORS") recommended approval of the Company's request, and the Commission granted the requested authorization, finding that "due to increased operational efficiencies and customer benefits of rental revenues, as cited by the Company, it appears that the requested amended authority will benefit the ratepayers and is in the public interest." Order No. 2019-434, Docket No. 2018-218-E (June 12, 2019).

8. As part of the authorized sale/leaseback financing arrangement, the Property will be sold at cost to a financial counterparty, who has raised funds for the purchase from outside investors. Such funds will be drawn over time in a sufficient amount to finance the construction of the office building. While the Commission has granted Company approval for this sale/leaseback financing arrangement, out of an abundance of caution, the Company now seeks

approval to sell and transfer the property as a step in the financing transaction, under S.C. Code Ann. § 58-27-1300. The Property was bought by DEC in 2017 for \$27,500,000 and will be sold at cost. The original cost of the Property will be credited as a reduction of the amount carried upon the books of the Company under Account 101, "Electric Plant in Service."

9. The Company respectfully requests action from the Commission by December 18, 2019 on this Application. The Company understand this is an expedited timeline, and is filing this request as soon as possible given that necessary investment and development partners have very recently been identified and agreed to a target December 20, 2019 closing. It would have been premature for the Company to request Commission approval prior to now because the elements of the transaction, particularly the necessary investment, had not been finalized. The applicable interest rates are now most favorable to customers and the investment has now been coordinated, which is driving the desire for a consummation of the Property transfer on December 20, 2019.

10. The South Carolina Office of Regulatory Staff has been served with a copy of this application.

11. Applicant requests that this Commission: (i) approve this matter by December 18, 2019; (ii) issue an appropriate order approving the relief sought in the DEC's Application; and (iii) grant such other and further relief as this Commission may deem just and proper. As discussed above, due to low rates and the coordination of investment, the parties are aligned for consummation of the Property transfer on December 20, 2019. For that reason, DEC respectfully requests Commission action in advance of that date.

WHEREFORE, Applicant prays that, pursuant to S.C. Code § 58-27-1300 and other applicable rules and regulations, the Commission enter an order approving the transfer and sale of the Property.

Dated this 2nd day of December, 2019.

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